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November 22, 1949

DISCUSSION ON THE PERSIAN GULF

Mr. Hare began the discussion by saying that we approached the question of the Persian Gulf on the basis that the United Kingdom has not only oil interests in the area but also a primary political interest as well. The United States likewise has oil interests and of course also has an interest in connection with the maintenance of peace and stability in the Persian Gulf area.

Referring to the question of development of off-shore oil, Mr. Hare observed that British and American representatives had conferred at great length on that subject in Washington early this year and that the idea of working out some sort of master plan for orderly development in the matter had been explored. However, in going into greater detail, it had been found that so much uncertainty existed regarding basic questions such as the determination of land frontiers and the ownership of islands that it seemed preferable to adopt a less comprehensive approach and to proceed on a more or less ad hoc basis. Subsequent developments would seem to have justified the wisdom of this course of action and proclamations had been made by practically all of the littoral countries of the Persian Gulf without resulting in the serious repercussions which some had feared. On the other hand, it was clear that we were only at the beginning of a long difficult road and that much patience and diligent endeavor would be required in order to reach final settlement.

Mr. Funkhouser stated that there appeared to be ten major points of conflict in the Persian Gulf. He enumerated them as follows:

1. Trucial - Oman Boundary.
2. Submerged areas off the Trucial coast.
3. Qatar Boundary.
4. Submerged areas off Qatar Peninsula.

5. Abu Saafa problem.

6. Boundary between the Arab Sheikdoms.

7. Island controversies.

8. Submerged areas off Kuwait neutral zone.

9. Southern boundary of Kuwait.

10. Mechanical determination of boundaries.

Mr. Funkhouser briefly described the status of the above issues and stated that any comments on the issues described or any agreement or differences of opinion as to the disputes involved would be welcomed from the United Kingdom.

Mr. Wright said he thought it was desirable to handle these involved questions as in the past either in London or in Washington or through the people on the spot rather than to consider them in any great detail in the present discussions. He said that the United Kingdom approached these questions on the basis of showing impartiality toward oil companies involved whether American or British. In this connection he pointed out that in various negotiations the United Kingdom had made particular effort to make sure that American oil companies were not discriminated against vis a vis British oil companies.

Mr. Wright indicated that with respect to the boundary negotiations with the Saudi Arabian Government this question had been discussed in Jidda at the end of August and the United Kingdom had endeavored to persuade the Saudi Arabian Government to state its claims. It was not until the middle of October before these claims which appeared to be extreme were submitted. The United Kingdom would prefer to settle this matter with the Saudi Arabian Government by direct negotiations rather than by arbitration in view of the special relationship which the United Kingdom has with the Sheikdoms. He thought the situation could be handled successfully provided that the United Kingdom and the United States maintained cooperation. He feared that a most difficult situation would arise if the Saudi Arabian Government felt that the United States was supporting all of its claims.

Mr. Hare replied that the United States would like to stay out of this question as much as possible but of course the possibility

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that the United States might be brought into the picture by the claims of certain American oil companies could not be excluded. He said that in the case of the controversy over islands off Kuwait neutral zone, the American Company involved had been more than satisfied by the support given by the United Kingdom.

Mr. Wright said he hoped the United States in approaching these questions would adopt the same principle as that adopted by the United Kingdom in considering the claims of the British and American oil companies. He felt it would be better to support the claims on the basis of their merits rather than on whether they were submitted by American or British oil companies.

Mr. Hare suggested that it might be useful to discuss various questions with the oil companies at top level in order to persuade them to be as helpful as possible and to take the initiative themselves in minimizing the areas of conflict. In this connection he referred to the fact that there were cross interests involved. Mr. Funkhouser indicated that although it was highly desirable to talk with the oil companies involved in the disputed areas in order to minimize chances of serious conflict, parent companies customarily defended the position that partially-owned subsidiaries acted independently.

Mr. Hare said that he thought that both the United States and United Kingdom were hunting for reasonable solutions of the questions, although it was difficult at times to know what a reasonable solution constituted. However, he felt that the United States would not support <u>upon facts</u> the assertions of claims.

Mr. Wright then adverted to his previous statement that the United Kingdom has an open public policy regarding the equality of treatment for British and American oil companies and expressed the hope that the United States could adopt the same attitude.

Mr. Hare said that the United States' position was not quite comparable with that of the United Kingdom which had political primacy in the area. Consequently, as both Mr. Hare and Mr. Funkhouser pointed out, there would be many issues not involving American interests on which the United States would have no particular position. Mr. Hare

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stated that the United States - United Kingdom position were often parallel and cited the recent instructions to the American Embassy in Jidda taking exception to the Saudi Arabian claims on the six-mile territorial limit.

Mr. Funkhouser, referring to the previous remarks on the United Kingdom - Saudi Arabian boundary negotiations, asked whether it might not be possible for the United Kingdom to proceed with negotiations at the present time on boundary issues involving only those Arab Sheikdoms with United Kingdom Treaty relations. Resolutions by the United Kingdom of such issues might establish a basis for settlement of the more complex boundary problems. Mr. Wright said that he would follow this question up upon his return to London.

On the subject of the [illegible]went Abu Saafa dispute, Mr. Greenhill stated that the United Kingdom was likely to accede to Saudi Arabian demands that all oil operations in the disputed area be stopped but added that in the case of the Bahrain Petroleum Company radar installations on Arabi Island which involved no Bahrein territorial claim, company operations should be permitted.

Mr. Funkhouser asked if it would be practicable and desirable to seek to prevent oil companies from operating in disputed areas by a mutual call for restraint. Mr. Wright said that he would also look into this question in London.

Approved by Mr. Hare and Mr. Wright

November 25, 1949.